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## **Indonesia**

### **HRI Food Service Sector**

# **Impact on Tourism and Food Import of the Bali Blast 2002**

Approved by:

**Charles T. Alexander**

**U.S. ATO Jakarta**

Prepared by:

Fahwani Y.R.

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#### **Report Highlights:**

**It is expected that high value food imports will drop 30-50 percent following the October 12, 02 bomb blast in Bali. This is due to the slowdown of tourist arrivals, cancellation of conferences & exhibitions and expatriate evacuation. A minimum of two years will be required for a return to normal.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
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The bombing at two of Bali's busiest nightclubs on October 12, 2002, claimed nearly 200 lives and garnered worldwide attention. A number of Western Governments responded by issuing travel warnings for Indonesia. The bombing and the travel warnings have combined to wreak havoc on the Indonesian tourism industry.

Following the Asian financial crises of 1997/98 tourist arrivals in Indonesia dropped by 17 percent and revenue from tourism plunged 36 percent. Arrivals in 2002 before the bombing had finally returned to pre-crisis levels. Until the bomb attacks, while visitors avoided many parts of Indonesia because of security concerns, Bali remained a favorite destination for holiday makers worldwide. However, the bombs have definitely turned things on their head. During much of the crisis period over the past two years, Bali had maintained its hotel occupancy rates, averaging 60 percent during normal periods and up to 90 percent during the peak period from June to September.

But this time the greatest impact has been and will continue to be felt in Bali, which depends on tourism for as much as 80 percent of its income. Tourism directly employs 40 percent of the population. The island lures about 1.5 million tourists annually, mostly from Japan and Australia. In 2001, Bali accounted for about one third of Indonesia's average annual tourism revenue of US \$ 5.4 billion (3.7% of its GDP). The Indonesian government is predicting the worst, that up to two million people might lose their jobs because of the declining tourist arrivals. In Bali alone unemployment may rise by 600,000 people. The GOI has reduced its growth rate projections for next year by a full percentage point.

While a World Bank report on November 6, 2002 predicted tourist arrivals would plummet by 20 percent over the next year. Post feels that may be optimistic and is possible only if there are no further terrorist events. Hotels in Bali are presently reporting occupancy rates below 10 percent, while most of the airlines serving Bali have sharply reduced the number of flights. The airport in Bali reports only 500 arrivals on November 12 compared to an average of 5,219 per day before October 12. The bombing has had a serious impact on the Indonesian convention industry which is centered in Bali. So far, 34 international events in Jakarta, Yogyakarta, and Bali have been canceled and another five postponed.

Post feels that we are at the low point now and that things will slowly improve. Post has surveyed the relevant associations and importers and projects that over the next year high value food product imports will be off 30-50 percent and a result of the decline in tourism, the cancellation of conferences and exhibitions and expatriate evacuation. Some individual importers are even more pessimistic. There is nothing to offset this reduction. Post estimates it will take a minimum of two years for tourism and imports to return to normal. Again, this assumes no further incidents.

Source: Jakarta Post and Bisnis Indonesia Oct-Nov 2002, and Indonesian importers.